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Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**Re: In the Matter of Regulation of Prepaid Calling Card Services, WC Docket No. 05-68;
Developing a Unified Inter-carrier Compensation Regime, CC Docket No. 01-92**

Dear Ms. Dortch:

Verizon submits this *ex parte* in response to AT&T's proposal, filed in the above-referenced Prepaid Calling Card proceeding, regarding access charge treatment of prepaid calling card services.

Verizon agrees that prepaid calling card providers must pay access charges based on the location of the end-user calling and called parties. Verizon also agrees that all carriers, including prepaid card providers, must signal via SS7 signaling the end-user calling party's number ("CPN") – unaltered – whenever technically feasible.¹ However, Verizon believes that AT&T's proposal for certification procedures is carefully worded to create a substantial loophole that would permit prepaid card providers to continue manipulating call detail parameters other than CPN in order to disguise the true jurisdiction of prepaid card traffic. Thus, if the Commission is inclined to adopt AT&T's proposed certification procedures, the Commission should first close that loophole, as discussed below, to ensure that prepaid card providers cannot avoid paying appropriate access charges by camouflaging the true nature of their prepaid card traffic.

As the Commission is aware, some carriers have used prepaid calling cards to avoid paying appropriate access charges on long distance calls. These prepaid card providers have altered call detail information in such a way to give the false appearance that intrastate prepaid card calls are actually interstate calls – and therefore subject to lower access rates. For example, Verizon has used other carriers' prepaid calling cards to place intrastate test calls. In some cases, when these test calls arrived at the card provider's calling card platform, the card provider inserted the calling card platform's out-of-state CPN in the SS7 signaling stream, such that the *platform's* CPN – rather than the true calling party's CPN – appeared in downstream billing records. This

¹ See, e.g., 47 C.F.R. §§ 64.1600-1601.

manipulation of CPN data enables prepaid card providers to disguise intrastate calls as interstate ones and thereby escape higher intrastate access charges.

Such misuse of prepaid calling cards therefore raises some of the same issues under consideration by the Commission in another docket: so-called “phantom traffic,” under review as part of the Commission’s intercarrier compensation reform efforts. “Phantom traffic” has been used in the intercarrier compensation docket as a broad term encompassing different categories of traffic for which terminating carriers receive insufficient information to bill originating carriers access or reciprocal compensation – including traffic with intentionally altered call detail information.

AT&T’s proposal purports to solve the “phantom traffic” problem – at least that portion of “phantom traffic” attributable to the intentional manipulation of SS7 signaling data for prepaid card calls – but ultimately falls short. Under AT&T’s proposal, prepaid card providers would be required to certify that they have not substituted platform CPN for the true caller’s CPN in the SS7 signaling stream. If the prepaid card provider does not signal the calling party’s CPN via SS7, the provider would be required to provide percentage interstate usage (PIU) factors to jurisdictionalize their traffic.

Although ensuring that carriers properly signal the true calling party’s CPN is one step in the right direction, AT&T’s proposal still does *not* solve the “phantom traffic” problem created by prepaid card providers’ manipulation of SS7 data. The flaw in AT&T’s proposal is this: AT&T’s proposal focuses exclusively on the CPN data transmitted via the SS7 signaling stream – but ignores the fact that it is a *different* SS7 parameter that plays the key role in determining the jurisdiction for billing purposes: the “charge number” or “CN.”

The “charge number” is the calling party’s billing number, which may or may not be the same as the CPN. In the case of ordinary residential users, the charge number is often the same as the CPN. On the other hand, a business customer, for example, may have a single charge number associated with several different end user telephone numbers. In the case of a call originating from such a business customer, the SS7 signaling stream will contain the CPN for the specific telephone number originating the call, as well as the charge number for the business.

The charge number often plays a key role in billing because the SS7 signaling stream itself is designed primarily for call routing purposes – not billing. Billing, on the other hand, is based on standardized records that are created specifically for billing purposes and that are based on well-established industry standards. These billing records contain fields for specific billing information, and the content of these fields is defined by industry standards that have been incorporated into the design of the switch recording equipment. The fields of the billing records are filled with information that is automatically gleaned and recorded at the switch from the SS7 signaling stream, as well as other sources.

Standardized billing records include a single field for the “from” telephone number, which many terminating carriers use to determine the jurisdiction of the call for billing purposes. Pursuant to industry standards, as well as the design of most switching equipment in the industry, the “from” field in the billing record is populated with the *charge number* that is transmitted

through the SS7 signaling stream – *not the CPN*.² CPN is recorded in the billing record only if the SS7 stream contains no charge number or if the charge number and the CPN are the same.

AT&T's proposal, however, makes no mention of either the charge number or the standardized records that are actually used for billing. Under AT&T's proposal, as long as a prepaid card provider passes the true calling party's CPN in the signaling stream, the provider's obligations would be satisfied. The provider would have no obligation to provide PIU factors or any other information regarding the jurisdiction of its traffic. The proposal therefore creates a loophole that would leave prepaid card providers free to substitute the platform's CPN in the *charge number* field of the SS7 signaling stream – even though it is the charge number (and thus the platform's out-of-state CPN) that will be reflected in downstream carriers' billing records. AT&T's proposal therefore supplies prepaid card providers substantial opportunities to create "phantom traffic" by manipulating SS7 data to disguise intrastate access calls as interstate ones and avoid paying higher intrastate access charges.

The Commission therefore should not adopt AT&T's carefully worded proposal as written. Instead, the Commission should take this opportunity to shut down prepaid card providers' manipulation of signaling and billing information by closing the loopholes in AT&T's plan. Specifically, the Commission should first confirm that prepaid calling card providers must pay access charges based on the location of the actual end-user calling and called parties – not on the location of the calling card platform. The Commission also should confirm that all carriers, including prepaid card providers, must signal the true calling party's CPN – unaltered – via SS7 signaling whenever technically feasible. The Commission also should go beyond AT&T's proposal and make clear that prepaid card providers must *not* insert information from the calling card platform into the SS7 signaling stream as the calling party's CPN, or as the calling party's charge number, or as any other SS7 parameter that would likely cause the terminating LEC to bill access charges based on the jurisdiction of the platform rather than the end user. Finally, the Commission should use its existing investigation and enforcement procedures to penalize carriers – including prepaid card providers – that intentionally alter or manipulate CPN, CN, or any other SS7 parameter with the result that standard industry billing records will not accurately reflect the location of the calling party.

One electronic copy of this Notice is being submitted in accordance with the Commission's rules.

Sincerely,



cc: Tamara Preiss

² See, e.g., Telcordia Tech., *Generic Requirements for Exchange Access Automatic Message Accounting (AMA)* (FSD 20-25-0000) at Table 5-2 (Issue 5, Sept. 2005).